



LITTLE HOOVER COMMISSION

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President & CEO

- Outline of Testimony -

The Bay Area Council is a business sponsored, CEO-led, public policy organization founded in 1945 to promote economic prosperity and quality of life in the region. The Bay Area region encompasses the nine counties that rim San Francisco Bay and includes the cities of Oakland, San Francisco, and San Jose. The Bay Area Council has long been involved in promoting progressive housing policy and advocating for sufficient availability and affordability in the housing stock to meet the needs of the full population, particularly the workforce.

In formulating recommendations for ensuring sufficient housing available and affordable for all Californians, the Little Hoover Commission should consider the following:

- The housing affordability challenge is first and foremost an availability problem—it is a basic case of supply and demand. Strong demand for an extraordinarily constrained supply has driven prices and rents higher and higher in many regions of the country. And while the current slow-down in the Bay Area has moderated rents and housing prices, there is still a major housing availability and affordability problem. From 1995-2000, the Bay Area gained only 148,044 new housing units but generated 600,000 new jobs, which would require approximately 400,000 housing units (resulting in an exacerbated jobs-housing imbalance and a housing deficit in the region of approximately 250,000 units). The housing deficit occurred in all income categories. In a survey of local government jurisdictions in 1999, the Bay Area Council found the following percentages of the projected needed units for each income category were actually built: 27% of the very low income need; 35% of the low income need; 54% of the moderate need; and 78% of the above moderate need. Without an expanded supply, any public or private attempt to provide increased affordability—such as appropriations, bonds, tax credits, tax-exempt financing, rental assistance, first-time homebuyer programs, trust funds, and employer assistance through participation in down payments or other equity arrangements—will be more costly to both taxpayers and consumers. Market forces through accommodating adequate supply must be embraced to achieve greater affordability. It is important for the state government to set the goals and imperatives for an adequate housing supply in California. However, ultimately, adequate supply can be achieved only by local governments designating sufficient land in their general plans and properly zoning it at appropriate densities to allow the marketplace to operate in the interests of consumers. It should be noted that even with an adequate supply of land for housing, public assistance and subsidies of one form or another will be needed for the very low and most low income housing.

- Not only is housing an integral component of the regional economic infrastructure, it is the *linchpin* of sustainable development and smart growth. It is inextricably inter-related with transportation, land use, air quality, and education. And, it is the common connecting element or "intersection" of the "3 Es" of smart growth: Prosperous Economy, Quality Environment, and Social Equity. Therefore, effective actions to achieve the housing supply and affordability goal must reflect the connections to other issues. Without an adequate supply in the region, unmet demand will drive housing costs and rents even higher. As housing available and affordable to the workforce is pushed farther away from job centers, the transportation and air quality problems are worsened. Mobility solutions will be even more expensive without a land use pattern that accommodates a lot more housing closer to job centers. And, without improved housing opportunities in core cities and older suburban communities, the poorest neighborhoods in the region will continue to deteriorate. It is not possible to achieve smart growth without first getting "right" the housing supply and affordability challenge within the region.
- New state law must be enacted to ensure an adequate housing supply, remove existing barriers, and provide and reward local jurisdictions for planning for and accommodating a sufficient amount of housing. Attached are the legislative policy priorities of the Bay Area Council and the Job-Center Housing Coalition (which is co-chaired by the California Chamber of Commerce and the Bay Area Council). The Little Hoover Commission should endorse these policy priorities and recommend adoption by the Legislature and the Governor.